



To: City Auditors, Town and Special Purpose District Accountants
From: Mary Jane Handy, Director of Accounts
Date: June, 2018

This letter sets forth the requirements for certification of General Fund free cash, certification of enterprise fund retained earnings, submission of required Division of Local Services (DLS) reports, and certain other related matters.

For jurisdictions required to submit audited financial statements prior to free cash certification, if the independent auditor's opinion is adverse or disclaimed, the certification of free cash is at the discretion of the Director of the Bureau of Accounts (BOA).

Transportation Network Companies (TNC) Per-Ride Assessment

Chapter 187 of the Acts of 2016 established a Commonwealth Transportation Infrastructure Fund. As required, each TNC submits to the Department of Public Utilities the number of rides from the previous calendar year that originated within each city or town and a per-ride assessment of \$0.20, which has been credited to the Fund. One-half (½) of the amount received from the Fund is distributed proportionately to each city and town based on the number of rides that originated in that city or town.

Since these funds must be used "to address the impact of transportation network services on municipal roads, bridges and other transportation infrastructure or any other public purpose substantially related to the operation of transportation network services in the city or town including, but not limited to, the complete streets program established in [G.L. c. 90I, § 1] and other programs that support alternative modes of transportation.", they are classified as special revenue funds. An appropriation by the legislative body of the city or town is required to use these funds for the specific statutory purposes.

Grant Reimbursements

Expenditures made in anticipation of State grant reimbursements that were subsequently reduced or eliminated in FY2018 and resulted in a deficit in the grant account at June 30, 2018, and for which reimbursement is no longer anticipated, must be raised in the FY2019 tax rate ("Other Amount to be Raised" on page 2 of the Tax Rate Recap), unless otherwise funded before then.

(See Balance Sheet presentation below for additional information on the effect of grant deficits on free cash.)

PEG access

After the passage of [Chapter 352 of the Acts of 2014](#) regarding options for accounting for Cable Television PEG Access revenues and the issuance of [Informational Guideline Release \(IGR\) No. 16-102](#) explaining them, the Bureau received numerous calls and e-mails from communities as to their current accounting treatment of these funds. In response, the Bureau extended the date announced in IGR 16-102 twice in order to facilitate local decisions about the most appropriate accounting treatment for these revenues to provide for completion of any transition from a community's current accounting treatment to the new treatment.

The Bureau will give communities until the close of fiscal year 2019 (June 30, 2019) to consider the available accounting options and take all necessary actions to implement it. However, no further extension will be authorized. All accounts treated otherwise at the end of fiscal year 2019 will be closed to the General Fund as part of the June 30, 2019 free cash certification. Any inconsistent statements in Section I of IGR 16-101 or other prior written publications or statements are superseded.

Snow and Ice

[Chapter 10, § 58 of the Acts of 2015](#) authorized cities and towns by local decision to amortize their FY2015 snow and ice removal account deficit over three fiscal years. We have been notified by Massachusetts Emergency Management Agency (MEMA) that Federal Emergency Management Agency (FEMA) reimbursements to all communities for January 2015 snowstorms has been completed. Any community with a deficit in this account must provide for that deficit in the FY2019 tax rate.

Balance Sheet - Form Submission Requirements

In an effort to streamline and simplify our processes, as well as to develop consistency in the submissions, we have developed a standardized balance sheet template for submission by cities, towns, and districts. This new template is an excel workbook that includes tabs for a combined balance sheet, fund balance detail for other funds including special revenue funds, capital project funds, trust and agency funds, as well as combining balance sheets for enterprise funds and internal service funds. It also includes a template for the submission of the undesignated fund balance roll-forward. This workbook can be found on two new modules added to Gateway to accommodate online reporting: "Balance Sheet" and "District Balance Sheet." These modules appear as tabs across the top, similar to the "Tax Rate" and "Schedule A" tabs and contain all of the forms necessary for submission with the balance sheet. Other forms included in the new modules are: balance sheet checklist, cash reconciliation report, outstanding receivables report, snow and ice data sheet, statement of indebtedness, and the treasurer's year-end report. These forms were previously found in Gateway under the "Miscellaneous Forms" tab. Districts are not required to complete the snow and ice data sheet.

We have also added a new Gateway form – the Balance Sheet Submission form. Cities, towns, and districts are now required to complete and upload the Excel standardized balance sheet template to this form. The module will reflect the status of all of the other required forms previously mentioned. All of these required forms must be in "form submit" status before the user will be allowed to submit the balance sheet template.

All procedures necessary to properly close accounting records should be completed. Pre-closing trial balances will not be accepted. Only balance sheets that have been closed as of June 30, 2018 will be accepted for certification of free cash.

UMAS accounting does not require that local governmental entities convert their chart of accounts to conform to GASB 54 definitions. BOA will continue to allow fund balance definitions to appear as in the past.

With the FY 2018 balance sheet submission, cities, towns, and districts submitting Free Cash certification must submit in Gateway the Excel standardized balance sheet template. This change does not apply to cities and towns using the STAT accounting method.

Cities, towns, and districts that submit their balance sheet for free cash are required to submit the following:

- The Excel standardized balance sheet template that contains the following worksheets
 - i. Combined balance sheet for all funds and account groups
 - ii. Detailed fund balances for all funds
 - iii. Detail for Account groups
 - iv. Combining statements
 - v. Detailed analysis of undesignated fund balance/surplus revenue
- Balance Sheet Checklist
- Cash Reconciliation Report
- Outstanding Receivables Report
- Snow and Ice Data Sheet
- Statement of Indebtedness
- Treasurer's year-end report
- System generated trial balance printout for the general fund
- Detail transaction report of the undesignated fund balance account

Balance Sheet Presentation

- For balance sheet purposes at June 30, 2018, debt proceeds reserved in the Enterprise Fund must be transferred to a Capital Projects Fund.
- For each separate enterprise fund, the transfer of Enterprise Fund receipts to the General Fund for indirect costs cannot exceed the amount reported on Schedule A-2 Enterprise Funds, part IIB Total costs appropriated in general fund.
- If committed before July 1, the FY2019 property tax commitment is not recorded until July 1. Cash received before July 1 toward that commitment is recorded as FY2019 deferred revenue.
- Invested funds must be reported at fair value as of June 30.
- Incurred But Not Reported (IBNR) claims of a self-insured health care trust fund must be accrued and reported on the balance sheet. A June 30, 2018 deficit in this fund is a reduction to free cash and must be raised in the FY2019 tax rate, unless otherwise funded before then.

- Any balance as of June 30 in the State Special Education Reimbursement Fund (Circuit Breaker) can be no greater than DESE's FY2018 reimbursement, not including extraordinary assistance or funds obligated by the school committee for FY2019 purposes. Any fund balance in excess of the allowable balance must close to the General Fund on June 30.
- Massachusetts School Building Authority (MSBA) lump-sum payments may require reservation and amortization. Please see [IGR No. 08-102, Guidelines for the Application of School Building Assistance Grants](#).
- Treasurers may use inter-fund borrowing before issuance of authorized debt to pay expenses for the projects or purposes for which the debt will be issued. G.L. c. 44, § 20A. Interfund advances must be repaid during the same fiscal year and there are some borrowing restrictions. See [IGR No. 17-21, Borrowing](#), for an explanation of interfund borrowing procedures and restrictions.

Debt authorized for jurisdictions required by special acts to obtain approval from the Commissioner of Revenue must first receive local approval and then the Commissioner's approval before interfund borrowing and expenditure of funds can occur.

- Community Preservation Fund balances reported on the June 30 balance sheet must match balances reported on the Community Preservation Fund Report CP-2 that is due on October 31.
- Appropriations from Community Preservation Fund (CPF) FY2019 estimated revenues prior to July 1 are neither recorded nor expendable until July 1.
- Any Enterprise Fund related capital project deficit recorded in the Capital Projects Fund may reduce free cash or retained earnings depending upon the fund intended to finance the capital project.
- BOA has noted that a number of balance sheet reports reflect deficits in certain grants. While BOA may reduce free cash for any grants that have been reported in deficit on the balance sheet, any deficits will not have to be raised in the FY2019 tax rate. However, accounting officials should analyze the deficit funds and plan to provide for the deficit in the near future.
- BOA has advised local accounting officials that reservation of funds within an Enterprise Fund apart from retained earnings may only occur consistent with the provisions of the Enterprise Fund Manual, [IGR 08-101, Enterprise Funds](#). We also recommend courses of action for continued reservation of such funds. The Bureau may in the June 30, 2018 retained earnings certification close to retained earnings improper reservations. Additionally, capital projects should not be reported in the Enterprise Fund, but reported in the Capital Projects Fund.

Potential Increases to Free Cash

The following amounts may be requested by the jurisdiction's accounting official to be included in the certification:

- FY2018 state aid payments received by September 30;
- Federal/state reimbursements received by September 30 for FY2018 expenditures that resulted in a deficit fund balance as of June 30 may be applied to offset the deficit; and
- Expected reimbursement from MassDOT relating to Chapter 90 apportionment reimbursements for FY2018 expenditures that resulted in a deficit fund balance as of June 30 may be applied to offset the deficit provided a documented reimbursement request was filed with the appropriate authority by September 30 and BOA must be satisfied that payment will be made.

Potential Decreases to Free Cash

The following reasons will contribute to a free cash reduction by the Director unless otherwise noted.

- The calculated amount cannot be substantiated by supporting documentation;
- A variance between the balance sheet and cash and/or outstanding receivables detail;
- Illegal deficits or any legal deficit not raised in the FY18 tax rate, or otherwise funded before the rate is set (if tax rate certification preceded free cash certification);
- A fund balance deficit in an individual Capital Projects Fund where funds were not borrowed by June 30;
- A deficit fund balance in the self-insurance health claims trust (Note: the deficit must be raised in the FY19 tax rate, unless otherwise funded before then);
- A grant deficit as of June 30 for which funds were not borrowed by June 30 or reimbursement was not received by September 30.
- A Chapter 90 fund balance deficit where funds were not borrowed by June 30; reimbursement was not received by September 30; or reimbursement was not filed with MassDOT by September 30 and BOA is not satisfied that payment will be made.

Certification Notice

Certification letters, free cash calculations, and enterprise fund retained earning calculations will be emailed to the mayor/manager, board of selectmen, finance director, accounting officer and treasurer immediately upon approval, to the email address in the Local Officials Directory (LOD) located in Gateway. Officials are advised to periodically check the LOD for accuracy of their email addresses and notify their City/Town Clerk of any changes.

Free Cash Certification Update

Once in any fiscal year, the free cash certification may be updated. Certification may be updated by receipts attributable principally to prior fiscal year property taxes, net of refunds, received from July 1 through March 31. At a minimum, a listing of taxes collected by fiscal year must be provided to the Bureau for update purposes. This free cash certification update provides additional appropriation authority.

The Director will not update certified free cash where, in the Director's opinion, appropriation of the funds could result in a negative free cash as of the following June 30. No similar update may be requested for the following fiscal year if an update is certified and a negative free cash results.

BOA will continue to allow non-recurrent distributions received in the current fiscal year to be included in a free cash certification update subject to the conditions noted above.

Treasurer's Year End Cash Report

The Treasurer's Year-End Cash Report as of June 30, 2018 must be completed and uploaded in the Gateway system by September 30, 2018 or upon submission of a balance sheet for FY2018 free cash certification, whichever is earlier.

The Accountant completes Part II or if there is a variance completes Part III of the Report. Do not check-off in Part I on behalf of the Treasurer. If you have any problems with Report submission, please contact your BOA field representative.

We recommend that the records of the Treasurer and Accountant be reconciled monthly during the year to facilitate the completion of this report.

Schedule A Form and Notice

The FY2018 Schedule A is due November 30, 2018. Cities and towns that do not submit the Schedule A timely may have all future local aid payments (regardless of fiscal year) withheld until the Schedule A is submitted and accepted. [G.L. c. 58, § 18F](#). The FY2018 Schedule A and the Excel version of Schedule A is currently available in Gateway.

Schedule A approval letters will be emailed to the budgeting, accountant/auditor, comptroller and finance director immediately upon approval, to the email address in the Local Officials Directory (LOD) located in Gateway. Officials are advised to periodically check the LOD for accuracy of their email address and notify their City/Town Clerk of any changes.

DLS Website and Gateway

All Informational Guideline Releases (IGRs), Bulletins, Local Finance Opinions (LFOs) and other publications issued by DLS can only be found on our website at www.mass.gov/dls. You may now search for current IGRs, Bulletins and LFOs in the [DLSLAW Library](#).

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